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Lincoln on a Government Bank.

[In December, 1839, a debate was held in Springfield, Illinois, upon the question whether a Bank of the United States is a better means of keeping the public moneys and regulating the currency than the Sub-Treasury plan. The debators were Abraham Lincoln, Stephen A. Douglass, a Mr. Calhoun of Springfield, then locally famous as a lawyer, and Mr. Lamborn. The entire debate escaped the notice of every one of Lincoln's biographers. Mr. Lincoln's part in the debate was published in the winter following its delivery, probably by himself for circulation among his friends, in a closely printed pamphlet, one copy of which was given to Hon. Thomas J. Henderson, recently a member of Congress from Illinois. Mr. Henderson informs us that he kept it from 1840 until 1860, when he loaned it to Gov. Yates. In 1879, it was found in a trunk or chest full of the late Gov. Yates's papers, entitled as having been delivered by Abraham Lincoln on the occasion named. The knowledge of its existence being thus revived, it was reclaimed by Gen. Henderson, and is now in his possession. Gen. Henderson certifies that the copy from which we print extracts, "is a true and correct copy from the pamphlet edition of the speech in my possession." No part of the speech has been printed since 1840. The speech was made a few months before Gen. Wm. Henry Harrison was elected by an electoral vote of nineteen States against seven, over his adversary, Martin Van Buren. Mr. Van Buren represented all the popularity left remaining for the Andrew Jackson democracy, out of the boastful surplus by which Jackson had beaten Adams in 1828, and Clay in 1832. The country felt that that eminent fighter had taken the helm, twelve years earlier, at the climax of a period of remarkable and assured prosperity, and had sedulously and vigorously steered it into a maelstrom of industrial and financial bankruptcy; many thought the result to be more fatal to their interests than could have been the most disastrous foreign war, unless it were a war of absolute conquest and extinguishment.

Jackson had struck the federal flag in pusillanimous terror at the threat of a single State, thus sanctioning the theory of the right of a State to annul a law of Congress and paving the way for the rebellion of 1861.

He had demolished, by destroying both the United States Bank and the Protective Tariff, the entire work of Hamilton's statesmanship. Of this work of Hamilton, Webster had said, "He struck the rock of public credit and refreshing streams burst forth; he touched the corpse of public prosperity and it sprang to its feet." Possibly the paraphrase, which might express the destructive work of Jackson, would be that he had found the public credit blossoming into manifold beauty like a garden and had burned it into a desert and solitude, as by the hot breath of Sahara; he had touched the bloom on the cheek of healthy affluence, and it had grown white and loathsome under the shriveling blight of leprosy.

No recantation of a popular blunder could be more emphatic than that by which the people had voted, in 1840, that everything that Jackson and Van Buren had done in finance had been a mistake.

Abraham Lincoln had not all the means of knowing the depth of this mistake which we have to-day. He has not until now been supposed to have given much more attention to questions of finance, than Jackson himself.

It remains to be seen how far this impression will be reversed by the perusal of this document. He could not be expected to have foreseen all the facts which, in the light of the intervening fifty-five years, could now be cited in demonstration of the truth and wisdom of the position he then took. His remarks, however, disclose a thoughtful study of the subject. He said:—

ED.]

"Of the Sub-Treasury, as contrasted with a National Bank, I lay down the following propositions, to wit:

First.—It will injuriously affect the community by its operation on the circulating medium.

Second.—It will be a more expensive fiscal agent.

Third.—It will be a less secure depository of the public money.

"To show the truth of the first proposition, let us take a short review of our condition under the operation of a national bank. It was the depository of the public revenues. Between the collection of those revenues and the disbursements of them by the Government, the bank was permitted to, and did actually loan them out to individuals, and hence the large amount of money annually collected for revenue purposes, which by any other plan would have been idle a great portion of time, was kept almost constantly in circulation. Any person who will reflect that money is only valuable while in circulation, will

readily perceive that any device which will keep the public revenues in constant circulation, instead of being locked up in idleness, is no inconsiderable advantage.

"By the Sub-Treasury, the revenue is to be collected, and kept in iron boxes until the Government wants it for disbursement; thus robbing the people of the use of it, while the Government does not itself need it, and while the money is performing no nobler office than that of rusting in iron boxes. The natural effect of this change of policy, everyone will see, is to *reduce* the quantity of money in circulation.

"But again, by the Sub-Treasury scheme, the revenue is to be collected in specie . . . Now mark what the effect of this must be. By all estimates ever made, there are but between \$60,000,000 and \$80,000,000 of specie in the United States. The expenditures of the Government for the year 1838, the last for which we have had the report, were \$40,000,000. Thus, it is seen, that if the whole revenue be collected in specie, it will take more than half of all the specie in the nation to do it. By this means, more than half of all the specie belonging to the 15,000,000 of souls who compose the whole population of the country, is thrown into the hands of the public office-holders, and other public creditors, composing in number, perhaps not more than 250,000, leaving the other 14,750,000 to get along as they best can with less than one-half of the specie of the country, and whatever rags and shin-plasters they may be able to put and keep in circulation. By this means, every office-holder, and other public creditor may, and most likely will, set up shaver. And a most glorious harvest will the specie men have of it, each specie man, upon a fair division, having to his share, the fleecing of about fifty-nine rag men. In all candor, let me ask, was such a system for benefiting the few at the expense of the many, ever before devised? And was the sacred name of Democracy ever before made to endorse such an enormity against the rights of the people?

[The predictions which Mr. Lincoln here made had already been largely verified by the fact that when the Bank of the United States was withdrawn in 1836, its power having been taken away in 1834, there was no longer any agency at work to hold the State banks to coin redemption on their notes. The same statesmen who, in 1811, had permitted the charter of the First Bank of the United States to expire, because the profits on its stock had caused a large share of it to be bought up by British financiers, had, in 1816, themselves created the Second Bank of the United States, on the model of the First, but with \$35,000,000 of capital in place of \$10,000,000, and with five Government directors instead of none. The express purpose for which it was created was to restore sound money by providing an agency which would bring back the United States Treasury and all the banks of the country to specie payments. It had been discovered during the existence of the First Bank of the United States, that it possessed one virtue which Hamilton, in recommending it to Congress, had not foreseen or mentioned. It had power to make itself, by virtue of its larger capital and greater credit, the clearing-house and redemption counter of all the banks of the country which desired their notes to circulate at par. Through its branch-offices in every leading city, it had made the same arrangements for redeeming in gold and silver, at its counter, the notes of all other banks, as the instincts of banking and the interests of bankers make convenient and compulsory wherever there is one bank which has such a predominating credit over all the others as to make it chief. No legislation called for or suggested this. It sprang up itself as the natural outgrowth of banking interest and popular convenience.

During the five years of interim between the First and Second Bank, the State banks and the United States Treasury set wild-cat money to the amount of \$240,000,000, competing with Treasury notes to the amount of \$40,000,000. Gold had left the country or was hoarded, all the bank-notes outside of New England were at from 9 to 27 per cent. discount, the discount increasing as one went southward. The Treasury notes were twenty-five cents below par, and the Secretary of the Treasury "dickered" with every bank separately to induce it to take Treasury notes on deposit. Duties were payable in any and all this rag-money, and chiefly in that which was most depreciated. Ships bound for Boston sailed to Baltimore instead, in order to pay in depreciated notes, and so cheat the Government of a fourth of the duties. The Government lost control over the quality of its own revenue and was obliged to take its due in wild-cat rags no better than its own Treasury rags. To get out of this financial morass the "Republican" party, then engineered by Madison, Gallatin, Calhoun, Henry Clay, and Alex. M. Dallas, created the Second United States Bank on purpose to bring the whole country, including especially the United States Treasury and the wild-cat banks, to special

payments. It borrowed \$8,000,000 in coin in France to carry on the work and in its first two years nearly broke itself in the operation. By 1819, however, its work was fully accomplished and it entered on a career of excellent management and absolute success which continued until the Government it was created to help, and to which it had rendered unparalleled financial service, made war upon it and crushed it. On this point Mr. Lincoln said:—

ED.]

“ As to the contractions and expansions of a national bank, I need only point to the period intervening between the time that the late bank got into successful operation and that at which the Government commenced war upon it, to show that during that period no such contractions or expansions took place. If, before or after that period, derangement occurred in the currency, it proves nothing. The bank could not be expected to regulate the currency either before it got into successful operation or after it was crippled and thrown into death convulsions by the removal of the deposits from it and other hostile measures of the Government against it. We do not pretend that a national bank can establish and maintain a sound and uniform state of currency in the country in spite of the national Government; but we do say that it has established and maintained such a currency, and can do so again, by the aid of that Government; and we further say that no duty is more imperative on that Government than the duty it owes the people, of furnishing them a sound and uniform currency.

“ I now then leave the proposition as to the effect of the Sub-Treasury upon the currency of the country, and pass to that relative to the additional expense which must be incurred by it over that incurred by a national bank as a fiscal agent of the Government. By the late national bank we had the public revenue received, safely kept, transferred and disbursed, not only without expense, but we actually received of the bank \$75,000 annually for its privileges, while rendering us those services. By the Sub-Treasury, according to the estimate of the Secretary of the Treasury, who is the warm advocate of the system, and which estimate is the

lowest made by anyone, the same services are to cost \$60,000. Mr. Rives, who, to say the least, is equally talented and honest, estimates that these services, under the Sub-Treasury system, cannot cost less than \$600,000. For the sake of liberality, let us suppose that the estimates of the Secretary and Mr. Rives are the two extremes, and that their mean is about the true estimate, and we shall then find, that when to that sum is added the \$75,000 which the bank paid us, the difference between the two systems, in favor of the bank and against the Sub-Treasury, is \$405,000 a year. This sum, though small when compared to the many millions annually expended by the general government, is, when viewed by itself, very large; and much too large, when viewed in any light, to be thrown away once a year for nothing. It is sufficient to pay the pensions of more than 4000 revolutionary soldiers, or to purchase a forty-acre tract of Government land for each one of more than 8000 poor families. . . . I now come to the proposition, that it would be less secure than a national bank as a depository of the public money. The experience of the past, I think, proves the truth of this. And, here, inasmuch as I rely chiefly upon experience to establish it, let me ask, how is it that we know anything—that any event will occur, that any combination of circumstances will produce a certain result—except by the analogies of past experience? What has once happened will invariably happen again when the same circumstances which combined to produce it shall again combine in the same way. We all feel that we know that a blast of wind would extinguish the flame of the candle that stands by me. How do we know it? We have never seen this flame thus extinguished. We know it, because we have seen through all our lives that a blast of wind extinguishes the flame of a candle whenever it is thrown fully upon it. Again, we feel to know that we have to die. How? We have never died yet. We know it, because we know, or at least think we know, that of all the beings, just like our-

selves, who have been coming into the world for six thousand years, not one is now living who was here two hundred years ago.

"I repeat, then, that we know nothing of what will happen in future, but by the analogy of experience, and that of the fair analogy of the past experience fully proves that the Sub-Treasury would be a less safe depository of the public money than a national bank. Examine it. By the Sub-Treasury scheme, the public money is to be kept, between the times of its collection and disbursement, by treasurers of the mint, custom-house officers, land officers and some new officers to be appointed in the same way that those first enumerated are. Has a year passed since the organization of the Government that numerous defalcations have not occurred among this class of officers? Look at Swartwout with his \$1,200,000, Price with his \$75,000, Harris with his \$109,000, Hawkins with his \$100,000, Linn with his \$55,000, together with some 2500 lesser lights. Place the public money again in these same hands, and will it not again go the same way? Most assuredly it will. But turn to the history of the national bank in this country, and we shall there see that those banks performed the fiscal operations of the Government through a period of forty years; received, safely kept, transferred, disbursed, an aggregate of nearly \$500,000,000; and that, in all that time, with all that money, not one dollar, nor one cent, did the Government lose by them. Place the public money again in a similar depository, and will it not again be safe?

"But, conclusive as the experience of fifty years is, that individuals are unsafe depositories of the public money, and of forty years that national banks are safe depositories—we are not left to rely solely upon that experience for the truth of those propositions. If experience were silent upon the subject, conclusive reasons could be shown for the truth of them.

"It is often urged that to say the public money will be

more secure in a national bank than in the hands of individuals, as proposed in the Sub-Treasury, is to say that bank directors and bank officers are more honest than sworn officers of the Government. Not so. We insist on no such thing. We say that public officers, selected with reference to their capacity and honesty (which, by the way, we deny is the practice in these days,) stand an equal chance, precisely, of being capable and honest with bank officers selected by the same rule. We further say, that with however much care selections may be made, there will be some unfaithful and dishonest in both classes. The experience of the whole world, in all bygone times, proves this true. The Saviour of the world chose twelve disciples, and even one of that small number, selected by superhuman wisdom, turned out a traitor and a devil. And, it may not be improper here to add, that Judas carried the bag—was the sub-treasurer of the Saviour and his disciples.

"We, then, do not say, nor need we say to maintain our proposition, that bank officers are more honest than Government officers, selected by the same rule. What we do say is, that the interest of the Sub-Treasurer is against his duty—while the interest of the bank is on the side of its duty. Take instances:—a Sub-Treasurer has in his hands \$100,000 of public money. His duty says: "You ought to pay this money over;" but his interest says: "You ought to run away with this sum, and be a nabob the balance of your life." And who that knows anything of human nature doubts that, in many instances, interest will prevail over duty, and that the Sub-Treasurer will prefer opulent knavery in a foreign land to honest poverty at home? But how different is it with a bank. Beside the Government money deposited with it, it is doing business upon a large scale of its own. If it proves faithful to the Government it continues its business; if unfaithful, it forfeits its charter, breaks up its business, and thereby loses more than all it can make by seizing upon the Government funds in its possession. Its interest, therefore, is on the side of its duty—is to be faith-

ful to the Government, and consequently, even the dishonest among its managers have no temptation to be faithless to it. Even if robberies happen in the bank, the losses are borne by the bank and the Government loses nothing. It is for this reason, then, that we say a bank is the more secure. . . . I have now done with the three propositions that the Sub-Treasury would injuriously affect the currency, and would be more expensive and less secure as a depository of the public money than a national bank. How far I have succeeded in establishing their truth is for others to judge. . . . I now only ask the audience, when Mr. Calhoun shall answer me, to hold him to the questions. Permit him not to escape them. Require him either to show that the Sub-Treasury would not injuriously affect the currency, or that we should in some way receive an equivalent for that injurious effect. Require him either to show that the Sub-Treasury would not be more expensive as a fiscal agent than the bank, or that we should, in some way, be compensated for that additional expense. And particularly require him to show that the public money would be as secure in the Sub-Treasury as in a national bank, or that the additional insecurity would be overbalanced by some good result of the proposed change.

"No one of them, in my humble judgment, will be able to do so; and I venture the prediction, and ask that it may be especially noted, that he will not attempt to answer the proposition, that the Sub-Treasury would be more expensive than a national bank as a fiscal agent of the Government. . . . A majority of the Revolutionary patriarchs who ever acted officially upon the question, commencing with General Washington, and embracing General Jackson, the larger number of the signers of the Declaration, and of the framers of the Constitution, who were in the Congress of 1791, have decided upon their oaths that such a bank is constitutional. We have also shown that the votes of Congress have more often been in favor of than against its constitutionality. In addition to all this, we have shown that

the Supreme Court—that tribunal which the Constitution has itself established to decide Constitutional questions—has solemnly decided that such a bank is constitutional. Protesting that these authorities ought to settle the question, ought to be conclusive, I will not urge them further now. I now propose to take a view of the question which I have not known to be taken by anyone before. It is, that whatever objection ever has or ever can be made to the constitutionality of a bank, will apply with equal force in its whole length, breadth and propositions to the Sub-Treasury. Our opponents say there is no express authority in the Constitution to establish a bank, and therefore a bank is unconstitutional; but we with equal truth may say there is no express authority in the Constitution to establish a Sub-Treasury, and therefore a Sub-Treasury is unconstitutional. Who, then, has the advantage of this ‘express authority’ argument? Does it not cut equally both ways? Does it not wound them as deeply and as deadly as it does us?

“Our position is that both are constitutional. The Constitution enumerates expressly several powers which Congress may exercise, superadded to which is a general authority ‘to make all laws necessary and proper’ for carrying into effect all the powers vested by the Constitution in the Government of the United States. One of the express powers given Congress is ‘to lay and collect taxes, duties, imposts and excises; to pay the debts, and provide for the common defense and general welfare of the United States.’ Now, Congress is expressly authorized to make all laws necessary and proper for carrying this power into execution. To carry it into execution it is indispensably necessary to collect, safely keep, transfer and disburse a revenue. To do this a bank is ‘necessary and proper.’ But, say our opponents, to authorize the making of a bank the necessity must be so great that the power just recited would be nugatory without it; and that that necessity is expressly negatived without it, by the fact that they have got along ten whole years without such a bank. Immedi-

ately we turn on them and say that that sort of necessity for a Sub-Treasury does not exist, because we have got along forty whole years without one. And this time, it may be observed, that we are not merely equal with them in the argument, but we beat them forty to ten, or, which is the same thing, four to one."

Integrity of Economic Literature.

Public opinion, like public taste, appears periodically to run mad on special topics. The subject upon which popular madness is most pronounced at present is accumulated capital. The chief characteristic of the last half century's industrial development has been the concentration of productive processes, the aggregation of large capital, and consequently the appearance of millionaire capitalists.

Notwithstanding that these large fortunes are chiefly invested in productive enterprises, earning profit only when they are working for the public by cheapening wealth, the fact that the large concerns succeed, while small ones decline, has given rise to the tacit assumption that large capital necessarily implies business dishonesty and public disadvantage for private gain. There is a certain naturalness in this feeling, since those who fail are ever prone to ascribe their failures to somebody else rather than to themselves. It was this feeling that inspired the hand-loom weavers in the beginning of the century to organize mobs to smash the power-looms. The small manufacturers assumed the same injured attitude towards corporations. Small farmers have the same dislike to large farmers. And under the same notion, trade unionists have ever opposed new inventions.

This feeling has been made a basis of a general doctrine that profits are robbery, and hence that large capitalists are social robbers. The advocates of socialism, populism, single tax nationalism and free trade have all tried to make headway by appealing to and inflaming this

